

Statement by
Hon. Eileen Claussen
Pew Center on Global Climate Change
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regarding
The U.S. Climate Action Partnership
submitted to
The Subcommittee on Energy and Air Quality
The Committee on Energy and Commerce
U.S. House of Representatives

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify on the U.S. Climate Action Partnership. My name is Eileen Claussen, and I am the President of the Pew Center on Global Climate Change.

The Pew Center on Global Climate Change is a non-profit, non-partisan and independent organization dedicated to providing credible information, straight answers and innovative solutions in the effort to address global climate change.¹ Forty-two major companies in the Pew Center's Business Environmental Leadership Council (BELC), most included in the Fortune 500, work with the Center to educate the public on the risks, challenges and solutions to climate change.

The Pew Center is one of fourteen organizations currently belonging to the U.S. Climate Action Partnership (USCAP). On January 22, the USCAP announced an interconnected set of recommendations for the general structure of climate protection legislation that we would urge Congress to enact as quickly as possible. Among other

¹ For more on the Pew Center, see www.pewclimate.org.

things, the USCAP recommends enactment of a greenhouse gas cap and trade program, federal technology research and development, and policies and measures pertaining to specific sectors.

Allow me to discuss a few specific elements of the climate legislation we would recommend.

Cap and Trade is Essential. The USCAP believes that our environmental goal and economic objectives can best be accomplished through an economy-wide, market-driven approach that includes a cap and trade program that places specified limits on GHG emissions. This approach will ensure emission reduction targets will be met while simultaneously generating a price signal resulting in market incentives that stimulate investment and innovation in the technologies that will be necessary to achieve our environmental goal. The U.S. climate protection program should create a domestic market that will establish a uniform price for GHG emissions for all sectors and should promote the creation of a global market.

Cost Control Measures. One issue often raised in discussions of cap and trade programs is the projected cost of the policy and how the program can be designed to keep costs reasonable. Cost control measures are policies designed to provide capped entities with greater confidence that their cost will be limited. The USCAP believes that the most powerful cost control measure is a robust cap and trade program that covers multiple greenhouse gases and sectors, and allows offsetting reductions from non-capped firms and international sources. The cap and trade approach allows for firms that can make inexpensive reductions to provide allowances for firms that cannot. At the same time, it encourages investment in efficiency and innovative technologies. Any additional cost-

control option considered by Congress must ensure the integrity of the emissions cap over a multi-year period and preserve the market's effectiveness in driving reductions, investment, and innovation.

As policy makers weigh additional cost control options, we would recommend that they consider which parts of the economy are affected, the time duration of the impact and remedy, implications for international competitiveness, the implications for international emissions trading, and how the measure affects the price signal necessary to stimulate investment and technological innovation. Additional cost control options could include a safety valve, borrowing, strategic allowance reserve, preferential allocations, dedicated funding, technology incentives and transition assistance. If used, cost control measures must be designed to enable a long-term price signal that is stable and high enough to drive investment in low- and zero emitting technologies, including carbon capture and storage.

Sector-Specific Policies and Measures. USCAP believes that policies and measures are needed to complement an economically sound cap and trade system to create additional incentives to invest in low-GHG approaches in key sectors. The need and scope of sector specific measures will depend on the stringency of targets, scope of coverage, and point of regulation in the cap and trade program. Some of the sector-specific measures are intended to be transitional in nature and should be phased out over time. USCAP recommended sector-specific measures for new coal-based energy facilities and other stationary sources, carbon capture and storage, transportation, and buildings and energy efficiency.

New Coal-Based Energy Facilities and Other Stationary Sources. USCAP recognizes that coal supplies over fifty percent of our current electricity generation and will play a continuing role in our energy future. Policies are needed to speed transition to low- and zero emission stationary sources that can cost effectively capture CO₂ emissions for geologic sequestration. We do not take a position as a group on any specific project, even though as individual organizations many USCAP Members do have such positions.

Carbon Capture and Storage. USCAP recommends that Congress should require EPA to promulgate regulations promptly to permit long-term geologic sequestration of carbon dioxide from stationary sources. Funding should be provided for at least three sequestration demonstration projects in depleted and abandoned oil and gas fields and saline aquifers with carbon dioxide injection, each at levels equivalent to emissions produced by a large coal-based power plant.

Transportation Sources. USCAP believes that climate protection legislation must achieve substantial GHG emission reductions from all major emitting sectors of the economy, including the transportation sector. We recommend Congress enact policies to reduce GHG emissions in the transportation sector, including consideration of policies to:

- promote lower-carbon transportation fuels;
- cost-effectively decrease allowable GHG emissions of automobile manufacturers' fleets and promote new low-emissions vehicles, for example with GHG or fuel economy performance standards;
- efficiently decrease vehicle miles traveled and enhance mass transit and other less carbon-intensive transportation alternatives;

- promote better growth planning;
- educate consumers; and
- address emissions from air, rail, and marine transport.

Buildings and Energy Efficiency. USCAP believes that policies are needed to realize the full potential of energy efficiency as a high priority energy resource and a cost-effective means of reducing GHG emissions. To achieve this objective, we recommend that climate legislation should establish federal and state policies that align financial and regulatory incentives with utilities' business interests to aggressively pursue energy efficiency programs and promote policies that "decouple" utility sales and revenues in conjunction with requirements for utilities to pursue all cost-effective energy efficiency savings. Stronger energy efficiency codes and standards are needed for whole buildings and for equipment and appliances, as are incentives and tax reform measures to advance the infrastructure necessary to support new "smart" and highly-efficient technologies and distributed generation. Finally, the legislation should create separate incentives for regulated entities, building owners, and other parties not subject to the cap to go even further in producing energy efficiency savings.

Accounting for the Global Dimensions of Climate Change. Let me close by discussing the international dimension of this issue. The effects of climate change are global, as are the sources of GHG emissions. Success will require commitments by all of the major emitting countries. Toward this end, the U.S. government should become more involved in developing the post-2012 international arrangements for addressing climate change that are now being discussed. So, while taking the necessary first step of placing limits on our own emissions, Congress should strongly urge the Administration to

safeguard U.S. interests by engaging in these negotiations with the aim of establishing commitments by all major emitting countries. The members of USCAP believe strongly that U.S. action to implement mandatory measures and incentives for reducing emissions should not be contingent on simultaneous action by other countries. Rather, we believe that U.S. leadership is essential for establishing an equitable and effective international policy framework for robust action by all major emitting countries.

I thank and commend Chairman Boucher and the subcommittee for taking on this critically important issue. The Pew Center looks forward to working with the subcommittee as it continues its work.